



ALFRED DUMA LOCAL MUNICIPALITY

OFFICE OF THE MUNICIPAL MANAGER

Incorporating Mayoral Office, Internal Audit, Risk, PMS, IDP, Policy Research, Communications, IGR

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27 March 2020

EXTRACT FROM MINUTES OF THE COUNCIL MEETING HELD ON THURSDAY, 26 MARCH 2020 AT THE INDOOR SPORT CENTRE, DRY STREET, LADYSMITH AT 13:00

Council at its meeting held on 26 March 2020 resolved:

LC12/03/2020

2020/2021 DRAFT MEDIUM-TERM BUDGET FOR KZN 238 (ALFRED DUMA LOCAL MUNICIPALITY)

1. That the Draft Operating Budget and Capital Budget, together with the Budget related Policies for the 2020/2021 financial year be adopted and taken through the consultation processes, taking cognisance of the affordability, sustainability and the macro allowance of National Treasury, noting that the draft 2020/2021 Medium-Term Budget has been analysed as follows:

1.1) BUDGETED REVENUE – R 1048,5 BILLION

- 1.1.1) The total rates income amounts to R 202.8 million which was based on a nil increase in the rates tariff.
- 1.1.2) Property rates – Penalties and Collection charges: An amount of R24,1 million, has been budgeted for.
- 1.1.3) The Electricity tariff being subject to an overall increase of 8.1% for domestic and commercial consumers. For Bulk Consumers an increase of 8.1% has been proposed for implementation. The NERSA guideline has yet to be released. The tariffs to be re-structured once the guideline has been released. An amount of R413.5 million has been budgeted, which is subject to change on finalisation of tariffs.
- 1.1.4) No tariff increase on Refuse has been applied in the 2020/2021 financial year, and refuse income budgeted amounts to R 27.7 million.
- 1.1.5) Rental of Facilities and Equipment - An amount of R3 million has been allocated; this income being derived from hiring of halls, sport facilities etc.
- 1.1.6) Interest earned on Investments – An amount of R15 million has been allocated.
- 1.1.7) Interest earned on Outstanding Debtors – An amount of R7.8 million has been allocated; this income being derived from raising of interest on the services accounts. The interest rates on arrear accounts would be charged at 10.25% p.a. in accordance with the National Credit Act, in respect of arrear accounts arising after 01 November 2016. Arrear accounts arising before 31 October 2016 to be charged at an interest rate of 9% p.a.

1.1.8) Fines – An amount of R13.7 million has been allocated.

1.1.9) Licencing and Permits - An amount of R2.6 million has been budgeted.

1.1.10) Agency Services – An amount of R3.1 million has been budgeted.

1.1.11) Grants Operating

The following operating grants are included in the Budget:

Museum Subsidy	R 163 000
Community Library Services Grant	R 1 589 000
Provincialisation of Libraries	R 4 957 000
Financial Management Grant	R 2 000 000
Expanded Public Works Programme	R 4 642 000
Operational Cost – Accredited Municipality	R 1 793 000
Infrastructure Skills Development Grant	R 3 080 000
Human Resource LG Seta	R 366 000
Human Settlement – Tittle Deeds Restoration	R 849 000
Total	<u>R19 439 000</u>

1.1.12) The Local Government Equitable Share, received from Central Government, in the amount of R 249.1 million has been budgeted for, as per DORA's allocation for the 2020/2021 financial year.

1.1.13) Capital Grants - This includes the following:

MIG	R 61.3 m
Museum Subsidy	R 50 k
Provincialisation of Libraries	R 470 k
Infrastructure Skills Development Grant	R 420 k
Total	<u>R 62.2 m</u>

1.1.14) Other revenue in the amount of R4.3 million has been budgeted for which includes the income generated from the minor tariffs e.g. connection/disconnection fees, building plans, fire brigade services, rates clearances, photocopies, burial fees etc.

1.2 BUDGETED EXPENDITURE: R986 MILLION (EXCLUDING UNFUNDED DEPRECIATION)

1.2.1) Gross Salaries and Allowances – R397.1 million

1.2.1.1 The R 328.9 million reflects the cost to Council packages of all existing staff and budgeted staff vacancies and posts.

1.2.1.2 An estimated increase of 6.25% has been budgeted based on Circular No. 2/2020 received from the SALGBC on the Salary and Wage increase for the Period of 1 July 2020 to 30 June 2021.

1.2.1.3 An amount of R 5 million has been budgeted for Overtime and R4 million has been budgeted for Standby.

1.2.1.4 No budget has been allocated for Job Creation and an amount of R3.8 million has been allocated for Employee Public Works Program, noting that the municipality could no longer afford to sustain job creation costs and therefore this was no longer budgeted for.

1.2.1.5 An amount of R921 thousand has been budgeted for Finance interns which is being funded by the Financial Management Grant.

1.2.1.6 An amount of R3.1 million has been budgeted for Library employees which is being funded by the Provincialisation of Libraries Grant.

1.2.1.7 An amount of R1.6 million has been budgeted for Cyber Cadets which is being funded by the Community Library Services Grant.

1.2.1.8 An amount of R1.1 million has been budgeted for overtime, standby and salaries in Human Settlement section which is being funded by the Accreditation subsidy.

1.2.1.9 An amount of R 81 thousand has been budgeted for overtime in the Museum Section which is being funded by the museum subsidy.

1.2.1.10 An amount of R2.2 million has been budgeted for Infrastructure and Town Planning interns which is being funded by the Infrastructure Skills Development Grant.

1.2.1.11 An amount of R126 thousand has been budgeted for salaries in Human Resources which is being funded by the LG Seta Grant.

1.2.1.12 Youth Mass Skilling has been budgeted for at R858 thousand.

1.2.1.13 R531 thousand has been allocated for Employees Bonus Provision.

1.2.1.14 R871 thousand has been allocated for the performance bonuses of section 57 employees.

1.2.1.15 R7 million has been allocated for pensioners' medical aid; the pensioner's medical aid being a post retirement benefit for ex-employees of the municipality.

1.2.1.16 R4 million has been allocated for the leave reserve provision.

1.2.1.17 R2.5 million has been allocated for long service awards.

1.2.1.18 Councillor Remuneration – R 30.2 million has been budgeted which includes a 6.25% increase. However the actual final percentage increase was normally finalized in December for Councillors remuneration. Traditional Leaders Allowance has been budgeted for at R229 thousand.

1.2.1.19 Total Gross Salaries and Allowances, for employees and Councillors totalling R397.1 million amounts to 36% of the total projected expenditure including unfunded depreciation, further noting that R 38.2 million would be used for direct labour costs charged out to repairs and maintenance projects.

1.2.2) Other Operating Expenditure – R 506 million which includes the following:

1.2.2.1) Electricity Bulk Purchases - The projected increase for Electricity purchases was based on 8.1%, being subject to NERSA's approval; this amounts to an estimated amount of R289 million, which is subject to change once the NERSA guideline is released, and tariffs are being re-structured.

1.2.2.2) Consultants and Professional Services: Other - R 3.5 million has been provided for which include Asset Management, Valuation Roll, Infrastructure and Services, Electricity Consultants etc.

1.2.2.3) Legal expenses for the municipality reflect a budget of R 3 million, these funds are being used by the legal section in the implementation of the legal process for the collection of arrear debt, as well as legal expenses that may arise from defending lawsuits should any occur.

- 1.2.2.4) Buildings and Facilities – An amount of R 1.4 million has been allocated to be used for repairs and maintenance to municipal buildings.
- 1.2.2.5) Equipment – An amount of R 2.6 million has been allocated to be used for repairs and maintenance to municipal equipment.
- 1.2.2.6) Maintenance of Unspecified Assets – An amount of R7.3 million has been allocated to be used for repairs and maintenance of all other municipal assets i.e. swings, sport infrastructure, IT hardware, Klip River maintenance etc.
- 1.2.2.7) Maintenance of Vehicles – An amount of R13.5 million has been budgeted for repairs and maintenance of vehicles within all departments, noting that the municipality would be insourcing the repairs and maintenance of fleet from the 2020/2021 financial year.
- 1.2.2.8) Sports and Recreation – An amount of R 157 thousand has been allocated which includes SALGA Games and Sports Events, noting that the costs were reduced due to cost containment measures.
- 1.2.2.9) Youth Programmes – Being Mayoral projects which includes programmes such as Youth Development, Youth Advisory Centre and Youth Month for which R 424 thousand has been allocated.
- 1.2.2.10) Other Programmes – An amount of R 2 million has been allocated for this item which is being used to fund the costs of hosting programmes being arranged by the Office of the Mayor; noting that this has been reduced due to cost containment measures.
- 1.2.2.11) Other Contracted Services - Comprises of the amount of R 405 thousand which includes in this category of expenditure other ad-hoc items e.g. festive lights, pest control etc.
- 1.2.2.12) Training - These funds are being used by employees to attend training workshops, as well as to enrol at tertiary institutions to further their education for which an amount of R1.6 million has been allocated, inclusive of funds for capacity building of Councillors.
- 1.2.2.13) Other Programmes – An amount of R1.5 million has been allocated for all programmes within the municipality i.e. Battlefields festival, Senior citizens, gender upliftment, enterprise development, reed celebration, disability focus, HIV/AIDS Campaign etc.
- 1.2.2.14) Security Services – An amount of R 9.9 million has been allocated for sites, bodyguards and Cash in-transit services.
- 1.2.2.15) Inventory consumed – An amount of R1 million has been allocated which includes plastic bags, toilet papers, chemicals etc.
- 1.2.2.16) Materials and Supplies – An amount of R26.9 million has been allocated to purchase materials used for road maintenance, storm water, metering, electrical refurbishment, cleaning materials, emergency relief etc.
- 1.2.2.17) R1.5 million has been allocated for operating leases of furniture and office equipment (rental of photocopy machines).
- 1.2.2.18) An amount of R888 thousand has been allocated for advertising in local and national newspapers, publicity and marketing.
- 1.2.2.19) Bank Charges - An amount of R987 thousand has been allocated.
- 1.2.2.20) Bulk Discount an amount of R1.4 million has been budgeted for bulk consumers who pay in advance.

- 1.2.2.21) Commission – Prepaid Electricity an amount of R4 million has been allocated.
- 1.2.2.22) Postage Services - This amount includes the bulk postage of municipal accounts, as well as the individual postage costs incurred by the departments for which an amount of R 2.4 million has been allocated.
- 1.2.2.23) Telephone and Fax – An amount of R4.8 million has been allocated to fund the payment of Telkom and cellular phone accounts.
- 1.2.2.24) R53 thousand has been allocated for landfill site.
- 1.2.2.25) R82 thousand has been allocated for refreshments.
- 1.2.2.26) Audit Fees - An amount of R 4.7 million has been allocated for the payment of audit fees charged by the Auditor-General.
- 1.2.2.27) External computer services has been budgeted for at R7.4 million which would be used for the financial system, ICT support, website maintenance, internet, software database etc.
- 1.2.2.28) Insurance – An amount of R4.6 million has been budgeted for insurance.
- 1.2.2.29) Licenses – agency fees an amount of R845 thousand has been allocated to pay for prepaid licence fee, radio licences, valuation licence etc.
- 1.2.2.30) Motor Vehicle Licence and Registrations – an amount of R1.5 million has been allocated.
- 1.2.2.31) R1.3 million has been budgeted for the provision of free basic alternate energy to be utilised by the Electricity Department.
- 1.2.2.32) Free Basic Electricity of R 10 million has been set aside to fund indigent consumers who receive the 50kWh free electricity.
- 1.2.2.33) Streetlights – An amount of R 9.7 million has been allocated for the payment of the electricity accounts for streetlights in the municipal area.
- 1.2.2.34) Municipal services – An amount of R12.6 million has been allocated for the payment of the municipality's electricity account paid to Eskom, water & sewerage bills paid to the uThukela District Municipality and refuse accounts.
- 1.2.2.35) Printing and Stationery – An amount of R2.9 million has been allocated which is being used for printing costs.
- 1.2.2.36) Membership and Subscription - An amount of R4.2 million has been allocated for payment to SALGA and tourism subscription fees.
- 1.2.2.37) Conference and Delegations – An amount of R2.2 million has been allocated. These funds are being used by the municipality for the attendance of conferences, workshops and seminars which includes accommodation and travelling costs.
- 1.2.2.38) Protective Clothing - An amount of R 2.9 million has been allocated for the purchase of protective clothing for staff.
- 1.2.2.39) R11.9 million has been budgeted for transport costs (fuel and oil, licensing and vehicle trackers) to run the vehicles within all the departments.

- 1.2.2.40) SARS Skills Development Levy - An amount of R 2.9 million has been budgeted to be paid to SARS for the development of skills, noting that these funds could be claimed from the SETA when the municipality incurs training costs.
- 1.2.2.41) An amount of R2.7 million has been allocated for the payment of Workmen's Compensation, being a legislative requirement.
- 1.2.2.42) An amount of R5 million has been set aside to fund the business incentives for new and existing businesses in the municipal area.
- 1.2.2.43) Labour Charge Outs – An amount of R38.2 million has been allocated for charge outs to repairs and maintenance in respect of employees that execute the repairs and maintenance duties. This is a costing element whereby a portion of the salaries budget being allocated to repairs and maintenance projects.

1.2.3) Departmental Charges – R65.5 million:

These being internal charges and are being recovered via the charge-out rate. The net effect of these internal charges against the charge-out rate being R nil.

Departmental Charges	R65.5 million
Total Charge outs	(R65.5 million)

1.2.4) Capital Charges – R38.6 million which includes the following:

Depreciation	R 34.2 million
Existing External Loans & New Finance Lease	R 569 thousand
Impairment of Assets	R 2 million
Write down of stock	R 787 thousand
Loss on Asset Disposal	R 923 thousand

A new finance lease would be entered into for the radio repeater station.

Depreciation charges being a GRAP 17 requirement; the total depreciation charges being estimated at R 162 million.

To fund the total estimated depreciation of R 162 million would result in tariffs being very high and unaffordable to the consumers. National Treasury recognised this in the MFMA Circular 42 – funding a municipal budget. A phased increase or re-alignment in tariffs may need to be considered to compensate the deficit to a surplus by a progressive move through gradual tariff increases or the re-alignment of municipal revenue.

The community needs to make a sufficient contribution towards the economic benefit that is being generated from the assets over the medium-term budget period.

Currently, the municipality has opted to fund R 34.2 million of the total depreciation expense.

Loan Repayments

The municipality currently has two loans to service for the Tsakane Substations and Development Bank of South African (DBSA). A new finance lease would be entered into for the two-way radio repeater station; the budgeted figure of R569 thousand being provided.

Impairment of Assets

This relates to asset impairment in terms of GRAP 17; the estimated budgeted figure of R 2 million being provided.

Write down of stock

This being an accounting entry in terms of GRAP 12 and a non-cash item; the estimated budgeted figure of R786 750 has been provided.

Loss on Disposal of Assets

This is an accounting entry in terms of GRAP 17 and non-cash item. The estimated budgeted figure of R923 120 has been provided.

1.2.5) Contributions - R 82.7 million which includes the following:

Bad Debt Reserve	R 77.2 million
Rates Reduction: Pensioners/ Disabled/ Medically Boarded Persons and Child Headed Households	R 5.4 million

A twenty five percent (25%) rates reduction for pensioners to be granted to any pensioner aged sixty (60) years and older on application should the pensioner's gross household income be R20 000 and less; this reduction to be applied for in the 2020/2021 financial year.

A medically boarded person with a gross household income of R20 000 and less to receive a discount of twenty five percent (25%) on their rates assessment; this reduction to be applied for in the 2020/2021 financial year.

Disabled persons with a gross household income of R20 000 and less to receive a discount of twenty percent (25%) on their rates assessment; this reduction to be applied for in the 2020/2021 financial year.

Child headed households to receive a discount of one hundred percent (100%) on their rates assessment; this reduction to be applied for in the 2020/2021 financial year.

A discount of 10% to be granted to all owners of property except for State and PSI, who pay their rates in advance in full by 31 August 2020.

R100 000 impermissible rebate on the market value to be applicable to all residential properties.

1.3 CAPITAL BUDGET: 2020/2021

The Capital Budget of R76.7 million to be funded as follow:

- R 62.2 million from grant funding
- R 14.5 million from revenue funding.

The capital programme has been separated into eight (8) clusters.

Identified Priority Projects:

● Tarred Road in Ward 7 (MIG)	R 8.5 m
● Tarred Road in Ward 27 (MIG)	R 8.5 m
● High Mast in Ward 24 (MIG)	R 2.5 m
● Gravel Road in Ward 16 & 18 (MIG)	R 5.0 m
● Vehicular Bridge Watershed – Roodeport Ward 19 (MIG)	R 4.5 m
● Storm water Upgrade in Ward 12 & 22 (MIG)	R 9.0 m
● Tarred Road in Ward 10 (MIG)	R 8.6 m
● Waaihoek Community Hall in Ward 31 (MIG)	R 4.0 m
● Kwakunyabantu Access Road (MIG)	R 3.5 m
● Ekuvukeni Sportfield Ward 33 (MIG)	R 4.7 m
● KwaHlathi High Mast Lights Ward 36 (MIG)	R 2.5 m

● Electrification of Households – Wards 3,4,13,20,23,24,35 &36 Connections (INEP)	R 6.1 m
● Furniture and Equipment (Grant/Council)	R 1.9 m
● Refurbishments of Electricity	R 7.2 m
● Two way Radio Communication Repeater	R 3.8 m
● Municipal Fleet – Insourcing of Machinery	<u>R 2.5 m</u>
	R 82.8 m
Less INEP Grant	<u>(R6.1 m)</u>
TOTAL	R76.7 m

1.3.1 That it be noted that Council's contribution for the 2020/2021 Capital budget was R14.5 million and due to the cash flow constraints of the Municipality, spending on both the Operating and the Capital budget should be monitored through regular monitoring of the cash flow, noting that the Municipality has seen a downward trend in revenue collection due to the poor economic climate both locally and nationally.

1.3.2 That it be noted that the Municipality in its Integrated Development Plan should focus on Revenue generating projects that would bring additional income to the Municipality; the IDP to also prioritize upgrading of existing infrastructure on the next five-year plan.

1.3.3 That only Grant funded projects be approved and that R14.5 million for insourcing of fleet, furniture and equipment and electrical refurbishment and repeater station be Council funded subject to the availability of funds.

PART 2

2 BUDGET RELATED RESOLUTIONS

Category	Tariff	Exemption	Phasing In	Impermissible per property R	Rebate
Residential	0.01280	No	No	100 000	No
Commercial and Business	0.02243	No	No		No
Industrial	0.01443	No	No		No
Farms: Agriculture	0.00311	No	No		No
Public Service Infrastructure	0.00000	Yes	No		No
Vacant Land	0.04616	No	No		No
Rural Communal	0.00000	Yes	No		No
Municipal Properties	0.00000	Yes	No		No
State (Public Service Purposes)	0.02823	No	No		No
Public Benefit Organisations	0.0000	Yes	No		No
Religious (Place of Public worship)	0.0000	Yes	No		No

Public Space	Open	0.0000	Yes	No		No
Municipal Vacant Land		0.0000	Yes	No		No

2.1 That the Draft Annual Budget of the municipality for the financial year 2020/2021; and indicative for the two projected outer years 2021/2022 and 2022/2023 be approved as set-out in the following schedules:

- 2.1.1 Table A1 Budget Summary.
- 2.1.2 Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification).
- 2.1.3 Table A3 Budgeted Financial Performance (revenue and expenditure by Municipal vote).
- 2.1.4 Table A4 Budgeted Financial Performance (revenue and expenditure).
- 2.1.5 Table A5 Budgeted Capital expenditure vote, standard classification and funding.
- 2.1.6 Table A6 Budgeted Financial Position.
- 2.1.7 Table A7 Budgeted Cash flows.
- 2.1.8 Table A 8 Cash backed reserves/ accumulated surplus reconciliation.
- 2.1.9 Table A9 Asset Management.
- 2.1.10 Table A 10 Basic service delivery measurement.

2.2 That property rates reflected below and any other municipal tax reflected in **Annexure 1 ‘Tariff Policy’** and **Annexure 3 ‘Municipal Property Rates Policy’** be imposed for the budget year 2020/2021.

The following property rates tariffs to apply in the jurisdiction of the Alfred Duma Local Municipality KZN 238:

- 2.3 That the refuse tariffs be increased by 0% with effect from 1 July 2020 in terms of Chapter 4 of the Municipal Finance Management Act No 56 of 2003; the detailed tariffs being detailed in the **Tariff Policy** as per **Annexure 1** attached to the agenda.
- 2.4. That should it be necessary, a Municipal Adjustments Budget be prepared in accordance with Section 28 of the Municipal Finance Management Act No 56 of 2003.
- 2.5 That funds from the electricity surplus be applied to fund other municipal expenditure.
- 2.6 That interest of 10.25% per annum on arrear debt be charged in respect of arrear accounts arising after 1 November 2016 and interest of 9% per annum be charged on arrear debt arising before 31 October 2016.
- 2.7 That tariffs and charges reflected in **Annexure 1 ‘Tariff Policy’** be approved for the 2020/21 budget year.
- 2.8 That the measurable performance objectives for revenue from each source and for each vote reflected in **Supporting Table SA7** be approved for the 2020/2021 budget year.
- 2.9 That the budget-related policies as attached to the agenda in Annexures 1 to 13 be adopted.

The budget-related policies adopted being as follow:

- Credit Control, Debt Collection and Customer Care Policy
- Indigent Policy
- Cash Management and Investment Policy
- Supply Chain Management Policy
- Tariffs Policy
- Municipal Property Rates Policy

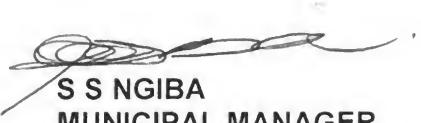
- Virements Policy
- Assets Management Policy
- Inventory Management Policy
- Petty Cash Management Policy
- Subsistence and Travelling Management Policy
- Funding, Reserves and Provision Policy
- Budget Policy
- Accounting Policies
- Cost Containment Policy

- 2.10 That Pensioners 60 years of age or older and with a gross household income of R20 000 and less receive a discount of 25% on their rates assessment; this rebate should be applied for during the 2020/2021 financial year.
- 2.11 That Medically Boarded persons with a gross household income of R20 000 and less receive a discount of 25% on their rates assessment; this rebate should be applied for during the 2020/2021 financial year.
- 2.12 That Disabled persons with a gross household income of R20 000 and less receive a discount of 25% on their rates assessment; this rebate should be applied for during the 2020/2021 financial year.
- 2.13 That Child headed households with a gross household income of R20 000 and less receive a discount of one hundred percent (100%) on their rates assessment; this reduction should be applied for in the 2020/2021 financial year.
- 2.14 That Consumers, excluding State be granted a 10% discount should the total rates bill be paid in full in advance by the last working day in August 2020 for the 2020/2021 budget year.
- 2.15 That indigents apply for indigency, noting that Automatic indigency was no longer applicable.
- 2.16 That the electricity tariffs be increased by 8.1% for domestic and commercial consumers and 8.1% for Bulk consumers, noting that the NERSA guideline has yet to be released and that Tariffs would be re-structured once the guideline was released and would be subject to final approval by NERSA; these tariffs being detailed in the **Tariff policy** as per **Annexure 1 attached to the agenda**.
- 2.17 That the tariff policy be updated accordingly in respect of final electricity tariffs approved by NERSA.
- 2.18 That the draft budget be submitted to National and Provincial Treasury in accordance with legislation.
- 2.19 That the capital programme funded from Council revenue be funded from accumulated surpluses, based on the availability of cash funds.
- 2.20 That the Implementation of the capital programme be subject to the availability of funds.

PART 3 - Draft Service Delivery and Budget Implementation Plans (SDBIP)

3. That the 2020/2021 Draft Service Delivery and Budget Implementation Plans (SDBIP) be adopted.

SIGNED AT LADYSMITH ON 27 MARCH 2020



S S NGIBA
MUNICIPAL MANAGER